

## Message Text

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ACTION SS-25

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 3207

C O N F I D E N T I A L LIMA 10650

EXDIS

EO 11652: GDS

TAGS: EFIN, BDIS, PE

SUBJECT: GREENE SETTLEMENT - DISTRIBUTION OF PROCEEDS

REF: STATE 275595

1. I CALLED ON FONMINISTRY SECRETARY GENERAL GARCIA BEDOYA TODAY (DECEMBER 17) TO TELL HIM OF USG DECISION TO PAY QUALIFIED CLAIMANTS UNDER TERMS OF GREENE SETTLEMENT OF FEBRUARY 19. I LEFT AN AIDE MEMOIRE WHICH LISTED THE APPROVED CALIMANTS AND THE AMOUNTS THAT ARE TO BE PAID, AS WELL AS THE TEXT OF THE DEPARTMENT'S STATEMENT TO BE USED ON AN IF-ASKED BASIS REGARDING THESE PAYMENTS. WE WENT OVER THE TERMS OF ARTICLE 3 OF THE AGREEMENT, WITH WHICH GARCIA BEDOYA IS FULLY ACQUAINTED, AND WE AGREED FROM THE OUTSET THAT THE TWO GOVERNMENTS BOTH HAVE A STAKE IN KEEPING OFFICIAL STATEMENTS ON A LOW-KEY BASIS.

2. GARCIA BEDOYA SAID HE HAD THOUGHT THE USG WOULD ANNOUNCE PAYMENT OF THE GREENE SETTLEMENT SOMWHAT LATER, PERHAPS IN ABOUT MID-JANUARY. HE SAID THAT ANNOUNCING PAYMENT THIS MONTH OCCURS UNCOMFORTABLY SOON AFTER THE PUBLIC DISPUTE OVER THE ARBITRATION CLAUSES OF THE NORTH PERU PIPELINE CONTRACTS. IN THAT CASE, AS MAY PREDICTABLY BE THE CASE CONCERNING THE USG PAYMENT TO EXXON, THE GOP WAS ACCUSED OF "ENTREGUISMO" FOR ACCEPTING INTERNATIONAL ARBITRATION DESPITE LANGUAGE IN THE EXISTING PERUVIAN CONSTITUTION WHICH GOVERNMENT CRITICS CLAIM FORBIDS ANY SUCH INTERNATIONAL ARBITRATION. GARCIA BEDOYA THEN COMMENTED THAT HE WAS SURPRISED AT HOW MUCH EXXON IS TO BE PAID

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(\$22 MILLION). HOWEVER, HE MADE IT CLEAR THAT HE AND THE

GOP LEADERS GENERALLY ARE FULLY AWARE OF THE PROVISION UNDER ARTICLE 3 THAT THIS PAYMENT WAS TO BE EXCLUSIVELY A USG DECISION.

3. GARCIA BEDOYA ALSO SAID THAT HE HOPES THAT BOTH GOVERNMENTS, AND ALSO THE US COMPANIES CONCERNED (PARTICULARLY EXXON), WILL DO EVERYTHING FEASIBLE TO TREAT THE PAYMENT ANNOUNCEMENT IN A LOW-KEY AND MATTER-OF-FACT MANNER. HE SAID HE WOULD URGE FOREIGN MINISTER DE LA FLOR AND OTHERS TO DO LIKEWISE HERE IN PERU. I DESCRIBED TO HIM THE DEPARTMENT'S EFFORTS TO ACCOMPLISH EXACTLY THIS, INCLUDING APPROACHES TO EXXON AND OTHER COMPANIES RECOMMENDING THAT THEY TRY TO AVOID OVEREMPHASIZING OR DISTORTING NEWS CONCERNING THE PAYMENT ANNOUNCEMENT.

4. AT THIS POINT GARCIA BEDOYA ASKED TO BE INFORMED AS TO US MEDIA TREATMENT OF THE USG ANNOUNCEMENT, STATEMENTS BY US COMPANIES, AND RELATED DEVELOPMENTS. I SAID EMBASSY WOULD ATTEMPT TO DO SO.

ACTION REQUESTED: WOULD PERU DESK ARRANGE TO INFORM EMBASSY PROMPTLY AS TO CONTENT AND TONE OF US NEWS ITEMS AND COMMENTARY SO THAT EMBASSY, AND THROUGH US THE GOP, CAN STAY ABREAST OF SIGNIFICANT US MEDIA COVERAGE THIS SUBJECT.

5. GARCIA BEDOYA THEN SAID HE WOULD IMMEDIATELY INFORM DE LA FLOR, WHO IS ATTENDING THE WEEKLY CABINET MEETING, OF THIS USG DECISION. HE SAID HE WOULD LET ME KNOW OF ANY FURTHER GOP REACTION BASED UPON DE LA FLOR'S OR OTHERS' REACTIONS TO THIS IMPENDING ANNOUNCEMENT.

6. COMMENT: GARCIA BEDOYA'S REACTION TO THIS USG ANNOUNCEMENT WAS, UNDER THE CIRCUMSTANCES, ABOUT AS MILD AS COULD BE EXPECTED. THE FIREWORKS, IF ANY, WOULD LIKELY COME FROM EITHER DE LA FLOR OR PRESIDENT VELASCO. THERE IS, FRANKLY, LITTLE THAT GARCIA BEDOYA CAN DO TO INFLUENCE THE FINAL GOP REACTION, BUT WE CAN AT LEAST HOPE TO A MODERATE RESPONSE. IT IS EVIDENT THAT PRESIDENT VELASCO AND THOSE CABINET MINISTERS WHO CONCURRED IN THE GREENE SETTLEMENT WILL HAVE EVERY REASON TO TRY TO KEEP SPECULATION AND CRITICISM IN THE PERUVIAN MEDIA UNDER WRAPS, PARTICULARLY (AS GARCIA BEDOYA POINTS OUT) SINCE THE GOP IS STILL UNDER PRESSURE DUE TO THE CONTINUING DEBATE OVER CONTRACT ARBITRATION CLAUSES IN THE PIPELINE  
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CONTRACTS. WE WOULD EXPECT GOP - INITIALLY AT LEAST -- WILL TREAT THIS SUBJECT IN A GINGERLY FASHION, BUT NONETHELESS WILL DEFEND ALL GOP ACTIONS AND DECISIONS WITH RESPECT TO GREENE SETTLEMENT AND ITS PROVISIONS.

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